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Mustapa-Investors

MALAYSIA CONFIDENT MAJORITY OF INVESTORS WILL STAY PUT

KOTA BAHARU, Jan 30 (Bernama) -- The government is confident that the majority of foreign investors, currently holding between 20 and 23 per cent of Malaysia's capital market of RM400 billion, will stay put after the control measures end on Sept 1 this year.

Second Finance Minister Datuk Mustapa Mohamed said this was because the majority of the investors were long-term players who had been investing in the country for decades.

"They understand the situation in Malaysia and are comfortable with the government's capital control measures," he told reporters, here today.

Under the control measures introduced on Sept 1, 1998, Bank Negara imposes a 12-month holding period for investment to safeguard the capital market against possible massive outflow of funds.

He said that with signs of economic recovery and Malaysia still being considered as the best investment centre in the region, did not think that foreign investors would withdraw their funds.

"So, we don't see any reason for them to pull out with the economy improving because it benefits them," he said.

He was commenting on a report in Time which said that under the current regime, as much as 90 per cent of the estimated \$7 billion to \$10 billion in foreign portfolio funds now "trapped" in Malaysia might scramble for exit on Sept 1.

Mustapa said that even if it such a scenario took place, it would be in small volum, not reaching 90 per cent of the funds.

"No, we don't think so. I feel the percentage mentioned is too high, exaggerated," he said.

Asked on the possibility of Malaysia introducing exit tax, he said no decision had been made yet.

"We don't know...we have embarked on a study since last month and we don't know when it will be completed," he said.

Last Monday, Prime Minister Datuk Seri Dr Mahathir Mohamad said the government was considering the possibility of introducing exit tax for withdrawal of foreign portfolio funds.

Mustapa said that in efforts to revive the country's economy, the government was giving priority to stimulating faster economic growth and inflow of foreign funds.

"We want economic growth forecast of higher than one per cent to beef up revenue collections and reduce debts," he said.

--BERNAMA

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